

Date: May 2, 2017
To: House Committee on Rules
From: The Association of Oregon Counties
Subject: House Bill 3434

Please add to the records of the House Committee on Rules these comments related to House Bill 3434, which is on the committee’s agenda for public hearing on May 2, 2017.

AOC URGES THE HOUSE COMMITTEE ON RULES TO PASS HOUSE BILL 3434

HB 3434 simply extends the sunset date for the critical statute that provides a process in the event of a county public safety fiscal emergency.

Fortunately, it has not been utilized, but may yet be. It needs to stay on the statute books.

A full description of the statute appears on page 4 below. (Under heading: CURRENT STATUTES RELATED TO COUNTY FISCAL DISTRESS).

WHY ARE SO MANY COUNTIES IN FISCAL DISTRESS?

“County fiscal distress” has become an all too common phrase.

For several counties, the County Permanent Property Tax Rate Authority (per \$1,000.00 of Assessed Value) is too low

Josephine	\$0.5867
Curry	\$0.5996
Coos	\$1.0799
Douglas	\$1.1124
Linn	\$1.2736
Deschutes	\$1.2783
Lane	\$1.2793
Columbia	\$1.3956
Hood River	\$1.4171
Tillamook	\$1.4986
Clatsop	\$1.5338
Polk	\$1.7160
Klamath	\$1.7326

Contrast the average (mean) tax rate imposed by counties to that imposed by cities and school districts (FY 2015-16; per \$1,000.00 of Assessed Value)

Counties	\$2.82
Cities	\$5.44
K-12 & ESD	\$6.92

County local property tax administration is the engine to produce revenues for public services of local taxing districts; yet the percentage of collections retained for county services, including for property tax administration, is often inadequate (FY 2014-15)

Curry	6.83%
Josephine	9.22%
Douglas	9.49%
Hood River	10.83%
Coos	11.68%
Lane	12.10%

Statewide mean:

- Counties 17%
- K-12 & ESDs 41%
- Cities 21%
- Special Ds 14%

See A BRIEF HISTORY OF DIRECT PROPERTY TAX ADMINISTRATION COST SHARING (AOC), which illustrates the imperfections of the state assessment and taxation funding program over time.

Several Counties are forced by location to be dependent on federal forest management policy decisions and federal forest receipts or their substituted safety net payments (Secure Rural Schools Act of 2000 and its successors)

General fund loss without safety net payments (FY 2006):

- Douglas 69%
- Josephine 68%
- Curry 63%
- Coos 54%
- Lane 35%
- Jackson 34%
- Columbia 26%
- Klamath 25%
- Polk 23%
- Grant 22%
- Benton 16%

- Linn 14%
- [County mean 12%]

Road fund loss without safety net payments (2006):

- Grant 73%
- Harney 70%
- Lake 66%
- Curry 64%
- Douglas 59%
- Wheeler 58%
- Klamath 56%
- Crook 52%
- Lincoln 50%
- Wallowa 49%
- Lane 47%
- Wasco 47%
- Tillamook 44%
- Hood River 43%
- Lane 42%
- [County mean 28%]

Federal forest safety nets (Secure Rural Schools Act and successors) have expired!

See accompanying bar chart: Federal Forest Payments (AOC).

Without the safety net, national forest payments to Oregon county road funds based on actual harvest in FFY 2012 (\$4.8 million) would have been about 10% of the safety net payment.

Without the safety net, O&C and Coos Bay Wagon Road payments based on actual harvest in FFY 2013 (about \$18 million) would have been about 48% of the 2013 safety net payment. These are county general funds.

Why are federal forest payments so important? Location, location, location.

See accompanying map: Federal and State Owned Land in Oregon (DSL).

- The white portions are privately owned and subject to property taxation; but 97% is under farm or forest deferral.
- Other colors on the map are public lands and not subject to property taxation.

See accompanying map: Federal Land in Oregon (AOC).

- This shows federal land ownership by county.

CURRENT STATUTES RELATED TO COUNTY FISCAL DISTRESS

Chapter 753, Oregon Laws 2013: Public safety emergency (*scheduled to sunset January 2, 2018*). Note: **House Bill 3434 (2017)** would extend the sunset to January 2, 2024.

Provides that the Governor may proclaim a public safety fiscal emergency when conditions exist or are imminent in one or more counties that compromise the county ability to provide a minimally adequate level of public safety services;

Before proclaiming the emergency, the Governor shall consult with the President and Majority and Minority Leaders of the Senate, the Speaker and Majority and Minority Leaders of the House, each Senator and Representative whose district is within the area of the proclamation, and each sheriff of an affected county;

Provides that the area of the proclamation may not be smaller than one county, but before July 15, 2014 may not be more than two counties;

After the proclamation and obtaining written authority by the majority of the governing body of each county subject to the proclamation, the Governor may enter into an intergovernmental agreement with any county, whether inside or outside the area covered by the proclamation, for performance of functions related to public safety;

The sheriff shall be considered a nonvoting *ex officio* member of the county governing body;

If the IGA is entered into during the legislative interim, it will not take effect until after adjournment of the next regular legislative session;

IGA to specify debts, liabilities, and obligations of the parties;

The State shall bear 50% of the cost of services provided under the IGA; requires the counties to the IGA bear the other 50% of the cost, which may be funded through income and excise taxes (as surtax to the state income and excise taxes), a tax on telecommunications services with access to the 9-1-1 system, any assessment the county is lawfully capable of imposing, existing county revenues, or any combination of these sources;

Provides that the county ordinance imposing the tax may take effect without a vote of county electors, but may not declare an emergency;

Provides that the Governor's proclamation terminates after 18 months, unless extended for up to an additional 18 months, and the Governor shall terminate the proclamation when the emergency no longer exists;

Permits the legislature to terminate the proclamation at any time;

After termination of the emergency, the income and excise taxes shall end on the next January 1st and other taxes or assessments shall end on the first day of the next calendar quarter;

Permits the counties to adopt an ordinance to ratify an intergovernmental entity created under the IGA.

ORS 306.117: Property tax services emergency

Authorizes a county to request a declaration by the Governor of emergency that the county is providing less than minimally adequate property tax assessment and collection services;

Directs the Department of Revenue to provide those services until the Governor determines that the emergency no longer exists or for two years, whichever is first; and
Requires DOR to be reimbursed for its costs from the CAFFA grant funds of the county, then non-dedicated state-shared revenues of the county, then by a request to the Emergency Board.

ORS 246.710: Declaring county elections emergency

If a county governing body, after consultation with the county clerk or county director of elections, believes that the county is in a state of fiscal distress that compromises the county's ability to conduct elections at a minimally adequate level, the governing body may request that the Governor declare a county elections emergency.

The Governor shall consult with the Secretary of State to determine whether to declare a county elections emergency.

Within 14 days after consultation with the Secretary of State, the Governor shall:

- (a) Declare the existence of a county elections emergency in the county; or
- (b) Issue a determination that the county's fiscal situation does not cause the county to conduct elections at a less than minimally adequate level.

As soon as practicable after declaration of an emergency and after consultation with the county clerk or county director of elections, the Secretary of State shall provide services in the county to the extent necessary to ensure a minimally adequate level of election services to the electors in the county and all municipal corporations in the county.

If the Secretary of State must perform services in the county, the secretary shall seek reimbursement from the Emergency Board for such additional funds and spending authority as the Secretary of State considers necessary.

At any time after declaration of an emergency, the governing body of the county or the Secretary of State may request that the Governor, after consultation with the Secretary of State, issue a determination that the emergency no longer exists.

The county shall resume conducting elections for the electors of the county and all municipal corporations in the county on the earlier of:

- (a) The date on which the determination is issued that the emergency no longer exists; or
- (b) Two years after the date on which an emergency is declared in the county.

The county governing body may request a declaration of emergency at any time before or after the elapse of the two-year period to ensure continuity of election services in the county.

ORS 203.105: Governor's Office to assist counties in fiscal distress

Creates a service delivery technical assistance program in the Governor's Office to provide assistance to counties in fiscal distress.

The program shall:

- (a) Award to public bodies and administer grants for service delivery innovation.
- (b) Enter into agreements with public and private entities to provide technical assistance to public bodies.
- (c) Convene task forces and work groups considered necessary.